OCTOBER / NOVEMBER 2022 VOLUME 34 | ISSUE 05

The magazine for FINANCIAL PLANNING PROFESSIONALS

MONEY & LIFE

Longer and better lives

PROFESSOR ANDREW J SCOTT ON REDEFINING AGEING

ETHICAL INVESTING
MANAGER ACCOUNTABILITY IN ETHICAL PRACTICES

NAVIGATING IP ADVICE
UNDERSTANDING RECENT POLICY CHANGES BY APRA

ACCESSING EQUITY
A LOOK AT THE HOME EQUITY ACCESS SCHEME

FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

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Paper + Spark

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FOCUS

A UNITED VOICE FOR THE PROFESSION

On the first day of spring, we launched a proposal to members that the FPA and AFA explore a merger of the two associations. We believe that creating a united voice for our profession will add more power to crucial advocacy positions, and give us all a better chance of achieving the changes our profession needs to see.

We are seeking your feedback on the proposal before going to a vote (expected to be before the end of the calendar year). Keep an eye on our dedicated webpage for upcoming consultation events, as well as recordings from previous events (at fpa.com.au/afa-fpa-merger). We also encourage you to continue sharing feedback on the monitored email: merger@fpa.com.au

This is a critical decision point for the future of our profession – we encourage all members to get involved, and ensure their voice is heard.

ADVOCACY WORK

We have been very encouraged by the launch of an interim proposals paper as part of the Quality of Advice Review. This paper suggests a move away from the current prescriptive input-based regulatory framework, to an outcomes-based approach recognising the importance of professional judgement.

A number of practical suggestions have been made, which could substantially reduce the unnecessary regulatory burden and red tape that has hindered the efficient and effective delivery of advice for years. These include consolidation of fee consent and disclosure into a standard form, and removing prescriptive requirements for SoAs and RoAs.

We have a way to go before these changes could be legislated, and there are some proposals we believe require refining. However, overall we welcome and support the proposals, and we look forward to working with Michelle Levy and her Treasury team to finalise these in the leadup to the 16 December deadline.

We continue to advocate strongly on behalf of our members in a broad range of areas. Check out our web page at fpa.com.au/financial-planning-advocacy to see our advocacy priorities, and how you can get involved in policy formation on issues you feel strongly about.

NEW PROFESSIONAL CODE – A CULTURE OF INTEGRITY

After extensive member consultation, we have updated our Professional Code ('the FPA Code') to support members in continuing to uphold the highest standards when dealing with clients, fellow professionals, and regulators. We have cut more than 20,000 words from our previous Code and moved to a new one-page document, outlining 10 clear ethical principles.

You can download the new Code at fpa.com.au/fpa-professional-code.

SEE YOU AT CONGRESS IN NOVEMBER

We are really looking forward to 'reunite and reset' at the FPA Professionals Congress in November – it's our 30th birthday, and our first in-person Congress since 2019! Held in Sydney, this Congress features a wide variety of award-winning speakers, interactive workshops, and valuable opportunities to engage with world best practice and connect with peers. Please make sure you register soon – I am very much looking forward to seeing you there!

Sarah Abood
Chief Executive Officer


HEALTHIER, LONGER,
BETTER LIVES
WHEN STABILITY MATTERS,
AIA DELIVERS
Our Income Protection CORE 5-year rate guarantee*
gives your clients peace of mind.
T&C's apply

EVENTS IN OCTOBER AND NOVEMBER

As we enter the final quarter of 2022, the FPA calendar offers several important events in the lead up to our first in person FPA Professionals Congress since 2019.

CFP® PROFESSIONAL CONNECT: IT DEPENDS: DECONSTRUCTING THE ADVICE PROCESS

22 NOVEMBER 2022

In this inaugural CFP® practitioner exclusive event, you'll get the chance to network with your peers the day before the FPA Professionals Congress in Sydney.

Join our panel of CFP® professionals – Louise Biti, Kathryn Creasy, Adam Crabbe and Shayne Sommer – as they lead the group through in-depth discussion and break-out sessions to go beyond 'it depends on the situation'. Stretch yourself and extend your knowledge, as we explore the technical details of a complex and challenging case study covering NDIS, aged care, SMSF, Family Trust, elder abuse, and Centrelink. It's a great opportunity to question yourself, your assumptions, and learn how your peers would approach this challenging advice scenario.

Following the session, you can warm up for the FPA Professionals Congress with an exclusive CFP® professionals only cocktails and canapes networking event. Places are strictly limited, so register early to secure your place or apply to go on the waiting list.

DATE AND TIME:
Tuesday 22 November 2022
1:45pm-6:30pm
CPD: 3 hours (TBC)
COST: $375
#itdepends

FINANCIAL PLANNING WEEK

3-9 OCTOBER 2022

Scheduled to coincide with World Financial Planning Day on 5 October. The FPA invites you to join us in celebrating the 22nd annual Financial Planning Week from 3-9 October 2022. To mark this event, we will be releasing a custom measurement index and research report that highlights the value of advice in the current economic context. We will be promoting our latest survey findings to a consumer audience through media engagement. Our members will also have access to a toolkit to share insights from this research with their clients and community, plus they can share our dedicated web pages and social media posts designed specifically for this event and campaign.

To find out more about how to take part in Financial Planning Week, visit fpa.com.au/fpweek.

The FPA congratulates the following members who have been admitted as
CERTIFIED FINANCIAL PLANNER® PROFESSIONALS

ACT
Patricia Gregory CFP®

Mitchell Webster CFP®
Allegra Wealth

QLD
Peter Hodgson CFP®
Walshs Financial Planning

VIC
Amy Murphy CFP®
Choice Capital

COMPLAINTS REPORT APRIL TO JUNE 2022

Ongoing complaints as of 31 March 2022 (period January to March 2022)	8
New complaints	0
Closed complaints	2
Ongoing Complaints as of 30 June 2022 (period April to June 2022)	6
Member Suspensions	0
Member Terminations	0
Academic Misconduct	0

MEMBER SUSPENSIONS

No members were suspended during this period.

MEMBER TERMINATIONS

No members were terminated during this period.

ACADEMIC MISCONDUCT

No members were investigated during this period.

ASSISTANCE AND ENQUIRIES

If there is a specific area of compliance of ethics in financial planning that you would like explored, please contact the team by email at professionals.standards@fpa.com.au or the Ethi-Call service run by the Ethics Centre at www.ethic-call.com

FPA EXPLORES MERGER WITH AFA

The FPA and the Association of Financial Advisers (AFA) have agreed in principle to explore a merger between the two associations, with a goal to create a united voice for the financial advice profession.

The boards of the two associations have signed a Memorandum of Understanding and will seek feedback from members before inviting them to vote on the proposal.

After the period of consultation, it is expected that members of both associations will vote on the proposal by the end of this calendar year. For the merger to proceed, at least 75 per cent of both membership bases need to agree.

> *"By creating a unified voice, the merged association would add clarity and power to the positions it takes, and avoid duplication of activity and erosion of its messages. It also increases the likelihood of achieving crucial advocacy positions."*
>
> DAVID SHARPE CFP®

In making the announcement, FPA Chair David Sharpe CFP® says there are natural synergies between both associations, including working closely together on a number of joint submissions on policy, as well as other shared advocacy for the profession.

"Effective advocacy is consistently the number one priority for members of both associations and a merger of the FPA and AFA would create a single association which would speak for the profession," says David.

"By creating a unified voice, the merged association would add clarity and power to the positions it takes, and avoid duplication of activity and erosion of its messages. It also increases the likelihood of achieving crucial advocacy positions."

AFA National President, Sam Perera confirms that any merged association would honour the heritage of both the FPA and AFA. "The AFA has a strong background in representing members from diverse groups and this would continue within any new association," he says.

The Memorandum of Understanding details the transition period, which includes a transitional board for about three years, comprising of eight FPA appointed directors and four AFA directors. FPA CEO Sarah Abood will remain in the role of CEO of the merged entity, while AFA CEO Phil Anderson will step into the position of General Manager.

In a significant move to standardised professional designations, the boards of the FPA and AFA have proposed that the CFP® designation be the primary designation of the merged association. However, the AFA's Fellow Chartered Financial Practitioner (FChFP) and the Chartered Life Practitioner (ChLP) designations will not disappear. They will continue to be recognised and supported, although will not be available to new applicants.

As part of the member consultation period, members of each association have been invited to attend webinars to hear more about the proposal, ask questions and provide feedback on the proposal. In addition, both associations will offer their members reciprocal arrangements to attend each other's national conference this year at member prices.

TIMELINE TO DECIDE

- **Mid-late October 2022**
  Merger proposal finalised
- Documents will be sent to all members via email.
- **Mid-late October 2022**
  Voting opens
- Voting will be opened to all eligible voting members.
- **Mid-late November 2022**
  Voting closes and outcome announced
- The results from the vote will be finalised, most likely at an Extraordinary General Meeting before the FPA's usual AGM date.

FPA CALLS FOR SCOPE TO BE EXTENDED ON CSLR

Legislation to establish the Financial Services Compensation Scheme of Last Resort Levy Bill 2022 (CSLR) was tabled in Federal Parliament on 8 September, 2022.

The CSLR is a proposed scheme aimed at providing compensation to eligible victims of financial misconduct who have not been paid, typically because the financial institution involved in the misconduct has become insolvent.

While broadly welcoming the tabling of the CSLR, FPA CEO Sarah Abood says the FPA remains cautious on the scope of the scheme.

When commenting on the CSLR, Sarah says any measure that results in consumers receiving compensation for bad advice is a positive one, adding that the scheme will promote trust and confidence amongst consumers in the financial planning profession.

However, she expresses concern that the scope of this scheme does not ensure that consumers are covered for the full range of matters considered by the Australian Financial Complaints Authority (AFCA), including managed investment schemes.

"While it was in Opposition, Labor suggested amendments that would at least include managed investment schemes in the CSLR, and it is disappointing that these changes have not been included in the Bill," says Sarah.

As an example of the scope of this scheme falling short, Sarah cites victims of the Sterling Group collapse who would not be covered under the proposed scheme. It's also the case for most investors in products of the Mayfair 101 Group. These products were often promoted directly to investors, using the wholesale/sophisticated investor exemption.

"These people have lost their life savings and in many cases, are now completely dependent on the Age Pension," Sarah says. "We're unsure at this stage what the findings will be in the case of Dixon Advisory. However, insofar as any consumers are harmed as a result of product failure, those investors would also not receive compensation from this scheme."

According to Sarah, currently, after nearly four years of operation, there is $3.7 million in unpaid AFCA determinations relating to financial advice due to insolvency. Yet, managed investment scheme operators have $6.4 million outstanding against them at present. The total unpaid determinations are $14.7 million across all the areas AFCA manages.

"This makes it clear that the CSLR must extend across AFCA's remit to achieve its aims of ensuring that victims of financial misconduct can be compensated where the firm involved has become insolvent," she says.

"It's also critical that the scheme be funded equitably and the administration costs of a CSLR should be closely monitored to ensure that cost recovery from the industry primarily compensates consumers, rather than covering bureaucracy and administration."

The FPA looks forward to continuing to work constructively with the Government, financial planners, consumers and other industry stakeholders, with the aim of delivering certainty and fairness for the financial planning profession and ensuring consumers can have confidence and trust in the financial system.

"We will continue to advocate for the scope of the CSLR to be extended," says Sarah.

> *"This makes it clear that the CSLR must extend across AFCA's remit to achieve its aims of ensuring that victims of financial misconduct can be compensated where the firm involved has become insolvent. It's also critical that the scheme be funded equitably and the administration costs of a CSLR should be monitored to ensure that cost recovery ... compensates consumers..."*
>
> SARAH ABOOD

WHAT THE REIGN OF BLOCKCHAIN MEANS FOR REAL MONEY

The rise of cryptocurrencies is a significant trend in financial services that continues to gain momentum. Michael McQueen explores three ways in which blockchain is impacting our money.

Recent years have seen cryptocurrencies – such as Bitcoin, Litecoin, and Etherium – attract enormous attention and fascination. Blockchain technology is complex, but the idea is simple. For the uninitiated or unaware, blockchain is a global distributed ledger or database running on millions of devices and open to anyone.

On the blockchain, trust is established not by traditional intermediaries like banks, governments or technology companies, but through mass collaboration and clever code. Blockchains radically improve transparency, thereby ensuring integrity and trust between strangers[1].

> *"In April 2021, The Bank of England and the U.K. Treasury announced they were setting up a taskforce to explore the possibility of a CBDC - with some jokingly predicting it might end up being called 'Britcoin'."*

As it gains more and more traction among individuals and investors, it is influencing real world money in significant ways.

Here are three ways blockchain is impacting our money.

1. TRANSNATIONAL MONEY IS BECOMING NATIONAL CURRENCY

The emergence of virtual currencies and the blockchain technology that underpins them represents the most significant change to financial services in decades and possibly centuries. Many countries have signalled intentions to develop digital versions of their national currency – otherwise known as Central Bank Digital Currencies (CBDCs). The Bahamas, for instance, has developed a CBDC called Sand, while Australia's Reserve Bank announced similar plans in February 2022.

Australian Reserve Bank Governor, Philip Lowe suggested that this is in keeping with centuries of evolution and adaptation in the idea of currency. He pointed out that what societies used as money was always shaped by technology. Silver and gold had given way to paper, and then paper currency gave way to polymer notes in Australia's case.

He said the nature of money changed as technology evolved and it appeared the next step was about to occur. "We can't be sure what the next innovation in money will be, but I think there's a fair chance it will be a form of digital token that sits in a digital wallet or a digital device," Lowe said.

In April 2021, The Bank of England and the U.K. Treasury announced they were setting up a taskforce to explore the possibility of a CBDC – with some jokingly predicting it might end up being called 'Britcoin'. The European Central Bank is similarly exploring the possibility of creating a digital Euro. And in February 2022, U.S. Federal Reserve released a paper laying out the pros and cons of a digital currency in a clear sign it is taking the step seriously[2].

2. CRYPTOCURRENCY IS A COMMERCIAL REALITY

Whether legal tender or not, many businesses have begun to accept that Bitcoin is now a valid form of payment for products and services. American theatre chain, AMC, now accepts numerous cryptocurrencies as a payment method for moviegoers, with 14 per cent of the company's online transactions paid using this method[3].

In a similar move, PayPal announced in April 2021 that it would allow customers to make online purchases using cryptocurrencies. The service was extended to all 29 million PayPal merchants and enabled customers to convert their cryptocurrency holdings into fiat currencies at the point of online checkout.

Speaking about the significance of this move, PayPal President and CEO, Dan Schulman said: "This is the first time you can seamlessly use cryptocurrencies in the same way as a credit card or a debit card inside your PayPal wallet. We think it is a transitional point where cryptocurrencies move from being predominantly an asset class that you buy, hold and/or sell, to now becoming a legitimate funding source to make transactions[4]."

Fellow payment giant, Visa, quickly followed suit, rolling out a pilot program allowing customers to pay using cryptocurrency via a partnership with Crypto.com[5]. In October 2021, Mastercard also announced a partnership with digital wallet app, Bakkt, that will allow customers to pay merchants with cryptocurrency using Mastercard's network[6].

Looking ahead, it's not just making payments using cryptocurrency that will become commonplace, but receiving cryptocurrency payment as well. In February 2022, tax-preparing software, TurboTax, began offering customers the option of receiving their tax refunds in cryptocurrency.

And as a further sign of things to come, New York City Mayor, Eric Adams announced in November 2021 that he would receive his first mayoral paycheck in cryptocurrency rather than dollars[7].

3. NFTS ARE MAKING SERIOUS MONEY

Non-Fungible Tokens (NFTs) are the buzzy new use of blockchain technology that lets people buy and sell digital items. While the term itself has been around since Ethereum co-founder Gavin Wood coined it in 2014, the value and relevance of NFTs has exploded in recent years[8].

In short, NFTs represent unique digital assets – which can range from images to songs to videos to tweets – that are verified through blockchain technology.

In order to facilitate the transactions of NFTs, numerous marketplaces have sprung up in recent years. One of these, OpenSea, was processing some $3 billion a month in NFT transactions, with the business itself valued at $13 billion as at February 2022[9].

Another popular NFT marketplace, Top Shot, specialises in NBA memorabilia and has facilitated over $500 million since its 2019 launch. As an example of an NFT sale on the NBA's Top Shot - for officially licensed digital collectibles - consider the record-breaking purchase in February 2021 of a digital recording of a famous LeBron James dunk, which fetched $208,000[10].

Some suggest that sales like these – as well as multi-million-dollar purchases of cat memes – indicate how baffling and bizarre the marketplace for NFTs is. However, consider the fact that art auction giant Sotheby's sold $65 million of NFTs in 2021, while its rival auction house, Christie's, chalked up $100 million in sales of the new type of crypto asset. This puts sales of NFTs as 5.5 per cent of the market for contemporary art sales and offers a sign that this is a trend that should be taken seriously[11].

YOU CAN'T IGNORE THE TREND

However cryptic cryptocurrency may seem, the real money being generated in platforms associated with blockchain suggests that we would be foolish to overlook this technology. The real-world moves of governments and businesses, which are pivoting in response to the numbers, only confirms that this trend cannot be ignored.

Michael McQueen is a trends forecaster, business strategist and conference speaker. He will be presenting a session at the ***FPA Professionals Congress*** *on November 24 titled: 'Delivering the advice of tomorrow.' In this session, Michael will discuss the shifts in client behaviour and expectations that have been fast-tracked by the disruption of recent years, the role of technology, and how to foster engagement and culture within teams in order to achieve success. For more information or to register, go to: fpacongress.com.au*

Footnotes

1. *Tapscott, D. 2016, 'The Impact of the Blockchain Goes Beyond Financial Services', Harvard Business Review, 10 May.*
2. *Litterst, R. 2022, 'The federal government is mulling a digital dollar. Why?', The Hustle, 7 March.*
3. *Partz, H. 2021, 'AMC theatres debuts online Bitcoin payments after months of teasing', Coin Telegraph, 12 November.*
4. *Irrera, A. 2021, 'Paypal launches crypto checkout service', Reuters, 30 March.*
5. *Phan, T. 2021, 'Visa is the latest legacy finance player to embrace crypto', The Hustle, 1 April.*
6. *Litterst, R. 2021, 'Traditional financial institutions long wary of crypto, are helping it go mainstream', The Hustle, 27 October.*
7. *Pisani, J. 2022, 'Want your tax refund in crypto? TurboTax and Coinbase Have You Covered', The Wall Street Journal, 3 February.*
8. *King, R. 2022, 'The hype around Web3 and how it can transform the Internet', World Economic Forum, 1 February.*
9. *Scheck, J. 2022, 'OpenSea's NFT free-for-all', The Wall Street Journal, 12 February*
10. *Lopatto, E. 2021, 'Can the NBA make NFTs cool?', The Verge, 30 March.*
11. *Howcroft, E. 2021, 'The New Masters: How auction houses are chasing crypto millions', Reuters, 10 November.*

THE POWER (AND LIMITATIONS) OF YOUR CRAFT

Matt Jones explains how you can identify and commit to the craft of financial planning, by building a business that tells better stories and creates stronger relationships with its clients through the experiences it delivers.

We started Four Pillars Gin back in 2013. What we didn't realise at the time, but which we certainly know now, is that we were setting up a gin distillery in the best place in the world to make gin. And as a result, we've been named the world's leading gin producer three times in the past three years.

Nowhere tastes like Australia. We have this unique combination of climate, unique botanicals and fresh produce (in particular citrus). And then we get to play with all those ingredients in the context of our amazingly diverse flavour culture and with all the permission you get to do things differently when you're 10,000 miles away from London, the spiritual home of gin.

> "I believe that every business has a craft. I believe that every business has something it can do better, or at least very differently, to any of its competitors. Something that can truly differentiate your business and what it stands for."

We began our journey with a total commitment to our craft, the craft of making gin. We didn't worry back then about marketing plans or financial forecasts, we just sought to make the best gin we could every day. And we stayed focused on gin, and only gin, which inspired us to experiment and rapidly grow the portfolio of gins we make.

EVERY BUSINESS HAS A CRAFT

Today, Four Pillars is the number one selling craft spirit in Australia. Ultimately, that success is down to our total commitment to the craft of distilling gin, our total focus on making gin and nothing but gin, and our belief this is the best place on earth to make gin. And that leads me to what I'm going to talk about at the FPA Professionals Congress in Sydney in November.

I believe that every business has a craft. I believe that every business has something it can do better, or at least very differently, to any of its competitors. Something that can truly differentiate your business and what it stands for.

That craft may not be as delicious and distinctive as making gin, but it might be just as powerful for you. So, I'm going to talk to you in November at the FPA Professionals Congress about how you can identify and commit to your craft.

But your craft alone is not enough. That's something else I've learned from the last nine years of building Four Pillars. And the reason is simple: people. Our customers are people just as your clients are people. And people are not always rational.

A rational person gathers all the data. A rational person weighs up all the facts. A rational person makes rational decisions. None of us are rational.

All of us are influenced by stories and by design. All of us are influenced by experiences and by the opinions of our friends and family and colleagues. All of us trust what we feel, sometimes more than what we know.

FOCUS ON HOW PEOPLE FEEL

The implication of this is clear: a successful business needs to focus on how it makes people feel. So, that's something else that I'm looking forward to talking about in November. How to build a business that tells better stories and creates stronger relationships with its customers and clients through the experiences it delivers.

At Four Pillars our commitment to our craft has meant investing in the world's best gin stills, and in world-class production equipment and bottling lines and labellers. Everything, in other words, that ensure that our product quality and attention to detail is never less than exceptional.

And our commitment to making sure we share that craft with the world has meant investing in our homes and hospitality, in design and in content, and in a world class team of social media storytellers and community managers.

It doesn't matter what business you're in...your opportunity comes from being the best in the world at what you do and making sure you get the credit you deserve from your most important clients and customers. I'm looking forward to seeing you all in November in Sydney at the FPA Professionals Congress, and we can dive into all this in detail.

To hear more from Matt Jones about building a business that creates stronger client relationships, register to attend the FPA Professionals Congres. Go to: fpacongress.com.au

MATT JONES

FOUR PILLARS GIN

POSITION: CO-FOUNDER & BRAND DIRECTOR

ABOUT MATT JONES

Matt Jones is one of Australia's leading strategists and storytellers when it comes to the intersections of brand, business, leadership, experience, culture, technology, human behaviour and storytelling. As one of three co-founders, and the brand brains behind Four Pillars, Matt connects the dots between brand and purpose theory and gritty business and delivery reality.

His storytelling is insightful, engaging, energising and (perhaps most important) highly relatable to all kinds of businesses. In 2012, Matt founded his own consultancy, focused on applying creative strategy, storytelling and experience design to brand and business challenges for corporate, craft, start-up and social businesses.

Matt will be presenting a session at the FPA Professionals Congress on November 23 titled: 'Grow your brand presence and client base.' For more information or to register, go to: fpacongress.com.au

> *"But your craft alone is not enough. That's something else I've learned from the last nine years of building Four Pillars. And the reason is simple: people. Our customers are people just as your clients are people. And people are not always rational."*

SUPPORTING OUR MOST VULNERABLE AUSTRALIANS

Elder Abuse Action Australia is the national voice of action for our most vulnerable Australians against all types of abuse. This article looks at the warning signs and the steps you can take to assist your clients.

Elder Abuse Action Australia (EAAA) was established to confront the often hidden problem of discrimination, neglect, and mistreatment of older Australians. As the national voice for action, EAAA campaigns for a society that respects and values older Australians who are free from elder abuse.

Elder abuse is a serious problem in Australia. It is an issue that needs policy attention, especially because of our ageing population. ABS population projections indicate that over the next 25 years, the number of older people (aged over 65 years) will double to around 9 million Australians.

> *"The abuse and neglect of older Australians affects individuals and society as a whole. It can limit the participation of the elderly in their communities and deny those communities the benefits of having older people fully contribute."*

Older people are among the most vulnerable of all Australians. As people age, they rely on family, friends, and carers for additional support. But, for many, the experience of ageing is soured by discrimination, ageism, exclusion, and abuse.

The fact is older people have the same rights as everyone else. They have the right to be treated fairly, feel safe in their home, and live with dignity and self-determination.

The abuse and neglect of older Australians affects individuals and society as a whole. It can limit the participation of the elderly in their communities and deny those communities the benefits of having older people fully contribute.

As reported in the National Elder Abuse Prevalence Study[1] by the Australian Institute of Family Studies, 15 per cent of the population aged 65 and over have experienced abuse and neglect in the 12 months prior to the study.

WHAT IS FINANCIAL ABUSE OF AN OLDER PERSON?

The definition of financial abuse is one or more incidents of any type by a family member, carer, other professional or other known person.

It might start with keeping the change from the weekly grocery shopping and, too often, ends with older people having their house or financial assets taken without permission. Taking advantage of the sharing of resources within families and communities is also another form of the abuse of older people.

Older people who have experienced financial abuse reported perpetrators who:

1. Pressured them into giving or loaning money, possessions, or property;
2. Taking money, possessions, or property without their permission;
3. Not contributing to household expenses, such as rent or food, or aged care/home service fees where this was previously agreed;
4. Deliberately preventing people from accessing or using their own money, possessions, or property;
5. Pressuring people to make or change their will;
6. Making financial decisions for people without their permission; and
7. Misusing a Power of Attorney or Enduring Power of Attorney.

Of these abuses, the top three are the most common.

WHO IS AT RISK

Anyone can experience elder abuse, but there are some characteristics that mean some people are at a higher risk of abuse. These include being of lower socio-economic status, single, separated or divorced, living in rented housing, or owning a house with a debt against it.

People with poor physical or psychological health and higher levels of social isolation are also at higher risk of abuse.

Both women and men experience elder abuse, with no significant differences between the genders.

WHAT TO LOOK FOR

There are some common behaviours and warning signs that present themselves, these include:

BEHAVIOURS

- Threats or coercion over assets or wills;
- Denying someone access to their own money and/or taking control of someone's finances against their wishes,
- Abusing Powers of Attorney;
- The theft of personal items like jewellery, credit cards, cash, food, and other possessions;
- The unauthorised use of banking and financial documents; and
- Adding an unauthorised signatory to a bank account.

WARNING SIGNS

- An unexplained disappearance of belongings;
- An unexplained inability to pay bills;
- Significant bank withdrawals;
- Changes to wills;
- Access to bank accounts or statements being blocked;
- An accumulation of unpaid bills;
- An empty fridge;
- A disparity between living conditions and money; and
- No money to pay for home essentials like food, clothing, and utilities.

WHO COMMITS ABUSE OF OLDER PEOPLE

What we know from the National Elder Abuse Prevalence Study[1] is nearly one-in-five elder abuse perpetrators are the children (18 per cent). Partners of children account for 7 per cent and grandchildren 4 per cent. About one-in-10 elder abuse perpetrators are intimate partners.

Elder abuse is also perpetrated by people who are socially connected to the victim. Together, friends (12 per cent), neighbours (7 per cent) and acquaintances (e.g., co-workers – 9 per cent) reflect about a quarter of all perpetrators. Men are more likely to commit elder abuse than women (55 per cent).

For financial abuse, children are the largest perpetrator group (33 per cent). Sons are almost two times more likely than daughters to perpetrate abuse. The two next biggest perpetrator groups for financial abuse are friends and service providers.

WHAT PROTECTS OLDER PEOPLE FROM ABUSE

People not having the necessary documents that set out their instructions, and not considering who they appoint as their Executor and Attorney may also be at risk of abuse. These documents include an executed will, family agreement, Power of Attorney, Enduring Power of Attorney, and enduring guardian.

EAAA, through its knowledge hub Compass, provides information and resources for anyone seeking further information on planning for their future, putting family agreements in place, Powers of Attorney, and Enduring Powers of Attorney. It's important to review what is relevant in your state or territory to ensure your wishes are clearly articulated to the people who need to support you when you may not have capacity.

PLANNING FOR A BETTER FUTURE

Planning ahead is a positive step. It protects those vulnerable individuals when their circumstances change. For your clients, they should be thinking and planning for:

- What happens if they become unable to make decisions, these include their finances, health and living arrangements.
- The division of their property, assets, and possessions when they die.

Next, put their wishes on paper

Once they have determined what they want, it's time to make them legally enforceable. Which means they need to be written down in a way that is recognised in law. The best way to create these is to use legal experts, like solicitors, conveyancers, and lawyers.

Now, find people to make them happen

Their wishes are now written down, so it's time to find people to make sure those decisions happen the way they want them to. These people should also be added to the relevant documents.

For more information on this important issue, visit: eaaa.org.au

FOOTNOTE: 1. National Elder Abuse Prevalence Study: Final Report by the Australian Institute of Family Studies, April 2021.

WHY YOU SHOULD ATTEND THE 2022 FPA PROFESSIONALS CONGRESS

We asked Marisa Broome CFP® to share with us her thoughts on the upcoming FPA Professionals Congress, why she is attending, and what she is looking to get out of the event.

When asked to write about the FPA Professionals Congress for 2022, I sat back to reflect on why Congress is so important to me. There are so many memories – going all the way back to the very first FPA Convention (as it was known then) in Hobart 30 years ago.

Although I may now get more sleep at Congress than I did back then, the fundamental reason the event is so important are the learnings that I take away from it. The opportunity to take time out of my practice to think about the work I do and the business I run is invaluable.

One of the standout features of the financial planning community is the willingness to share with others our knowledge and experiences, and this will be clearly on display at Congress 2022. I believe we have packaged together the perfect combination of inspiring professional speakers, with high level technical content, and panels to discuss the opportunities that are ahead for us as a profession.

This will be the first time since 2019 that we are able to be together in person at a National FPA event – and it will most probably be the last, as we combine the membership with the AFA into a new body in 2023. I look forward to catching up with old friends and making new ones – and celebrating all we have achieved as the FPA over the part 30 years.

What in particular am I looking forward to? We have just spent some time with Dr Andrew Scott who challenged my thinking on what a 100-year life will mean to the advice I give to my clients to prepare them for retirement that could be longer than their working life. As a gin drinker, I am very keen to hear from Matt Jones – one of the founders of Four Pillars (which is one of my favourite tipples) as he shares how to develop our brand, so clients 'know' who we are and what a difference we can make to their lives before they even meet us.

I want this Congress to be full of discussion around the opportunities and I think our Q&A discussion on what advice will look like in 2030 will be focused on exactly this – as the opportunities are enormous, especially as we see the recommendations around a more realistic regulatory environment that we hopefully will be operating under.

Financial planning is a lot about numbers, so selecting Adam Spencer as our MC is the perfect fit. He will bring his fierce intellect, his love of numbers and his wry humour to the two days (as well as his experience as a client of a financial planner).

There is so much more to the program – which we developed as a two-day only event to reflect how busy people are and to limit the time you are out of the office. However, if you can spend some extra time and you are a CFP® professional, then I would invite you to attend the very first event in the new CFP® Professionals Connect series, which will be an in depth case study titled 'It depends….', where we unpack the complicated process of giving advice to a family, all of whom have different needs.

I look forward to seeing you in Sydney – you will find me at the Gin Bar at the Netwealth Welcome Cocktail event!

Join Marisa at this year's FPA Professionals Congress. Go to fpacongress.com.au to secure your ticket and with our booking guarantee, you will receive a full refund if the event is cancelled due to Government COVID-19 restrictions.

“Retirement is experienced by many as a cold shower. Whether you’re well provided for financially or not, it can be a shock to leave work and lose your identity and purpose, as well as your reason to keep active in mind and body. We want retirement to be more of a warm bath that you can slip into and feel comfortable instantly.”

LONGER AND BETTER LIVES

Is a longer life always the better option? Economist, author and longevity expert, Professor Andrew J Scott, speaks to Miriam Fine about how policy makers, professionals and individuals can redefine ageing to help everyone in our society thrive, no matter how long they live.

Living longer is something Australians are very good at. According to the latest Australian Bureau of Statistics study on our population, the number of people aged 85 and over has more than doubled in the last 20 years (an increase of 110 per cent). This compares with a 35 per cent increase in our population overall. Women take a slight lead over men in the life expectancy stakes and a baby girl born in 2021 has an almost 40 per cent chance of celebrating her 100th birthday.

As financial planners know well, this rapid rise in longevity is producing concern among Australians about two critical factors that can impact their life in old age – their health and their finances.

In the ABC's Australia Talks survey of more than 50,000 Australians in 2019, saving enough for retirement was the number two worry for respondents (62 per cent), followed by health at number three (56 per cent). Both were eclipsed by climate change, which was the top concern for 72 per cent of people surveyed.

Coming in at number four was a fear of growing old. The survey found that half of Australians worry about ageing. Given their chances of living well into their 80s and perhaps living through an entire century, it's something they need to get comfortable with and prepare for.

This is exactly the reason for much of the research and advocacy work that Professor Andrew J Scott engages in. As an expert on the opportunities and challenges of our growing longevity, not just in Australia but around the world, he is a thought leader on the economic and social impacts of living longer.

THE EVOLUTION OF LIFE EXPECTANCY

Based at London Business School, Professor Andrew J Scott is a Professor of Economics and Research Fellow at the Centre for Economic Policy Research. His book with Lynda Gratton, The 100-Year Life, has been published in 15 languages and is an Amazon bestseller. And his 2020 book, The New Long Life, considers how the challenges and opportunities of social and technological ingenuity might shape a new age of longer lives.

As well as being a published author on longevity, Professor Scott is co-founder of The Longevity Forum, a member of the World Economic Forum council on Healthy Ageing and Longevity and a consulting scholar at Stanford's Center on Longevity. Having studied the impacts of demographic changes on societies and economies and the responses of policymakers for decades, he sees a relatively narrow focus from governments on the issues and opportunities longevity presents.

"Making gains in life expectancy is nothing new," he says. "In the 20th century, we've seen people living much longer lives on average, with reductions in infant mortality and improved protection from infectious diseases. But now these gains in mortality are coming later in life, with a growing number of people living well past the typical retirement age."

Figures from the United Nations are projecting a dramatic increase in this age group. By the end of the 21st century, 22 per cent of the global population will be aged 65 or older. That's more than double the proportion of 9.3 per cent reported in 2020.

This relative growth of our oldest population cohort is the chief focus of many governments and central banks.

"The idea of an ageing population looms as a significant threat for today's economic leaders," says Professor Scott. "With birth rates falling, it's expected that younger cohorts will be smaller, leading to fewer people in the workforce. This leads to lower tax receipts and a slowdown in economic growth overall. At the same time, older generations are likely to have more savings, so inflation is expected from lower production and higher demand.

"So, it's no wonder this change in our population structure is dominating the policy agenda," he says. "But if we switch to a longevity perspective, this places the focus on changes in how

> *"Many people are deciding to work part-time after passing retirement age and work well into their 70s. In G7 countries, between 2008 and 2018, the employment rate in people aged 55 years and older grew by 100 per cent."*

we age and how we can exploit life expectancy gains. For example, the idea that our workforce is dwindling because of ageing is not actually the case. Older people are working for longer – 80 per cent of new employement is coming from people over the age of 50 – and this is actually a boost to GDP driven by the impacts of increased longevity."

CHALLENGING IDEAS ABOUT AGEING

Of course, Professor Scott acknowledges that older people staying in the workforce is often their best option for funding a longer lifespan. This financial challenge is one of several thorny issues – along with health and social inclusion – that have yet to be resolved for our ageing population. But in order to have our whole society engaged in the solutions, Professor Scott thinks it is important to celebrate increased longevity as a way to combat prejudice and discrimination against people as they age.

"The fact that we're all living longer lives is a great achievement," says Professor Scott. "We now have far more grandparents – even great-grandparents – able to meet and get to know their grandchildren. And there is such potential for older people to offer a greater understanding of themselves and others, as well as wisdom, to our communities and society.

"Unfortunately, in many developed countries, we still see people in retirement and old age being treated as less capable and productive," he adds. "They lose their role of being useful in society and will often become segregated. In fact, the level of ageism we see is still a significant problem to be solved, if we're to properly address the challenges that our world faces, now more of us are living longer.

"The way older people are discriminated against would be completely unacceptable if it were happening on the basis of race or gender. These types of prejudice are often a result of people seeing someone as 'other.' The fact is that young people today have a greater than 80 per cent chance of living to age 90. So, it's important for every young person to ask themselves: How do I want to be treated when I'm old and what options do I want to have?"

> *"It's important to recognise that ageing is malleable... Instead of seeing a decline in old age as inevitable, we need a shift in mindset that can direct our behaviour now to help us prepare for the life we want as we age."*

Answering these questions can be difficult when we're accustomed to seeing old age as a time of life to be feared, not celebrated. As the Australia Talks survey suggests, we're far more worried about poor health and poor financial outcomes in retirement than almost anything else in our lives. While these concerns do have a basis in what many older people have experienced, Professor Scott says we have far more choice in how we age than we might think we do.

"How we age is not fixed," he says. "Being healthy, happy and productive in later life is possible. We know this can be harder for some people to achieve as they age, because of inequality in society and economic factors. And we certainly can't control everything that will influence a positive experience of ageing.

"But it's important to recognise that ageing is malleable. Researcher David Sinclair says that 80 per cent of our health and longevity is in our hands and only 20 per cent is down to genetics. People at all ages need to focus on what they can do now to invest in their happiness in the future, including changes that will boost your chance of better outcomes for your health, relationships, or your finances.

"Instead of seeing a decline in old age as inevitable, we need a shift in mindset that can direct our behaviour to help us prepare for the life we want as we age."

A FLEXIBLE VIEW OF LIFE STAGES

Acting on this idea of preparing to age well prior to passing the typical retirement age, requires support and self-discipline. Providing expert advice and guidance to help people make the right choices now for their financial future sums up the fundamental purpose of financial advice. If planners and their clients are to make the most of their investments for the future – across health, lifestyle and relationships, as well as finances – this requires a fresh approach to the life stages that typically mark the progress of a financial plan.

"In the 20th century, we developed a three-stage life, which was broken down into education, followed by work and then retirement," says Professor Scott. "Now that people are living longer, what we're seeing is governments and other services playing around with the parameters of these three stages. Many governments are delaying the official retirement age a little at a time to ease the pressure on funds available for pension payments, while enabling people to save more to self-fund for a much longer life in retirement. But this potentially leads to a future where we work for 60 years, which is a pretty relentless prospect.

"Instead, what we can expect to see is the rise of a multi-stage life and we're already beginning to see this happen," he adds. "Many people are deciding to work part-time after passing retirement age and work well into their 70s. In G7 countries, between 2008 and 2018, the employment rate in people aged 55 years and older grew by 100 per cent. Staying in the workforce for far longer is viable for many, providing you don't lose your job in your 50s and struggle with the skills and discrimination that can sometimes be a problem for finding employment.

"People are also treating their careers differently and taking time out to care for parents, or children, or to reskill for a change in their career path. Just as teenagers and retirement were life stages that didn't exist before the 20th century, we're going to see new life stages emerge in the 21st century."

HEALTH, PURPOSE AND CONNECTION

This more fluid approach to life and work could be seen as a challenge for financial advice based on a model of steady accumulation followed by steady drawdown on savings. Preparing clients for a secure future by maximising their wealth through work and investments, so they can enjoy that wealth for longer, is what's generally expected – by financial advice clients and financial planners.

As Professor Scott suggests, it takes a more flexible approach – to all the factors for successful ageing – if financial planners are to prepare their clients for a positive future before, during and after their working lives.

"Retirement is experienced by many as a cold shower," he says. "Whether you're well provided for financially or not, it can be a shock to leave work and lose your identity and purpose, as well as your reason to keep active in mind and body. We want retirement to be more of a warm bath that you can slip into and feel comfortable instantly.

"Health is key to ageing well, and so are our relationships and our finances," he adds. "In the 20th century, life insurance was invented because far more people died in middle age and they wanted to make sure they could provide for their loved ones. Now, it's living insurance that we need, to make sure we aren't outliving our skills, health and connections to friends and society, as well as our finances."

PREPARING FOR THE 100-YEAR LIFE

So, how can the practice of ageing evolve so that individuals and society all reap the benefits of the extra years many of us can expect to live? At the government and corporate level, there are many setting a good example for pro-active support of ageing as a wholly positive experience.

"Of all the developed countries, Singapore is one that is starting to wake up to this," says Professor Scott. "Singapore is making changes to its health system to focus more on preventative health to help its older citizens thrive and take the pressure off healthcare providers. Plus it's fostering wellbeing and productivity in later life with a significant investment in adult education. On reaching the age of 50, anyone in Singapore can get an education grant. They can use this to reskill for a career or role that will last longer in an increasaingly digital economy, but they don't have to focus their late-life learning on work. The idea is for these older people to have a chance to engage with something new, to keep learning".

"In the U.K., we're seeing corporates introducing a 'mid-life MOT' to help employees in their 50s think about how well they're set-up for retirement," he adds. "They can attend four sessions to look at areas where they can invest to reap the benefits."

However, Professor Scott is in agreement with other longevity researchers who say that investing in health and wellbeing, finances and relationships should start well before mid-life. Professor Perminder Sachdev, a neuropsychiatrist at the University of NSW, is leading the Sydney Centenarian Study and exploring how our behaviours, environment and genetics influence how successfully we age. The study has around 450 participants aged from 95 to people over 100 years old.

Although the study is ongoing, Professor Sachdev says existing research has already established that how we live from the day we are born can influence how well we feel in later life. "All we have [to work with] are lifestyle factors," he says. "We realise that these factors impact from birth. Ideally, one wants a lifetime of good effort."

The behaviours we need to adopt if we're to secure a comfortable, fulfilling life in old age are easier to follow when we acknowledge the biggest resources that longevity gives us – time.

"You've got this extra time in your life and the question to ask is, how do you want to use it?" says Professor Scott. "If we look at all the constituents of successful ageing, we can see that time needs to be spent on health, education and relationships, as well as wealth.

"This question of budgeting with time goes to the heart of the financial planning process," he adds. "People have a portfolio of assets to manage for a rewarding life, and money is one of them. Health, skills and a sense of purpose are some of the others, and we need to keep investing in all of these. But we can't invest in them all at the same time. Financial planning can be a very positive way of taking care of the financial assets, so that more time can be spent on these other assets in the whole 'lifestyle' portfolio.

"This is why affordable access to high-quality financial advice is an important part of the framework we need to fully realise the potential of a 100-year life. Governments can help by changing policies that tend to push up the cost of advice. They also need to take action on preventative health, age discrimination, supporting people to work for longer, and improving access to quality aged care. These are just some of the ways the policy agenda can enable people to be less afraid to live for longer."

Andrew J. Scott is Professor of Economics at London Business School and a consulting scholar at Stanford University's Center on Longevity. He is co-author of 'The 100 Year Life' and 'The New Long Life'. He will deliver the opening keynote address at the FPA Professionals Congress on 23 November 2022.

SURFING THE TEAL WAVE

Nicolette Boele and Dave Rae CFP® discuss the implications of the last Federal election, and how the move to independent candidates represents a potential shift in how Australians are choosing to invest.

After three consecutive terms of Coalition Government, the May 2022 Federal election saw the Australian Labor Party (ALP) return to power after nine years in opposition. However, the biggest surprise of this election was not the margin of ALP seats won, but the rise of the Teal independents.

The Teals (a term coined by the media) are a team of community-backed independent candidates who each ran strong local campaigns advocating for increased action to mitigate climate change, as well as improved political integrity and equality.

The Teal wave saw at least six candidates – Allegra Spender, Kylea Tink, Monique Ryan, Kate Chaney, Zoe Daniel and Sophie Scamps – join Zali Steggall on the crossbench by knocking off sitting MPs in seats that were previously considered safe 'blue ribbon' Liberal seats.

> *"It's tempting to suggest there is a link between income and education, and the level of engagement people have with investing. Today, we're seeing a much greater expression in our values with how we spend our money..."*
>
> NICOLETTE BOELE

But why were the Teals and other independents so successful in the last election, and why did their message resonate strongly with predominately traditional conservative voters?

These questions will be addressed at the upcoming FPA Professionals Congress, where Dave Rae CFP® – Financial Adviser, Ethinvest – will join Teal candidate, Nicolette Boele in a session to discuss: 'How your clients voted in the last Federal election may impact how they now choose to invest.' And having received one of the largest swings in primary votes against a sitting member anywhere in the country, and going within a whisker of toppling the incumbent Liberal member for the safe seat of Bradfield, Nicolette will provide some particularly powerful insights.

CHANGING PATTERNS

Nicolette and Dave's session will explore whether there is a correlation between how people voted in the last Federal election, with how they want their money invested.

With over 25 years' experience as a responsible investment and clean energy executive, including seven years spent at the Responsible Investment Association Australasia (RIAA), Nicolette intends to draw on industry research to support how the changing investment behaviours of Australians is impacting the way they vote.

"It's tempting to suggest there is a link between income and education, and the level of engagement people have with investing. Today, we're seeing a much greater expression in our values with how we spend our money – from buying free-range eggs, right through to the holdings we keep in our portfolios," says Nicolette.

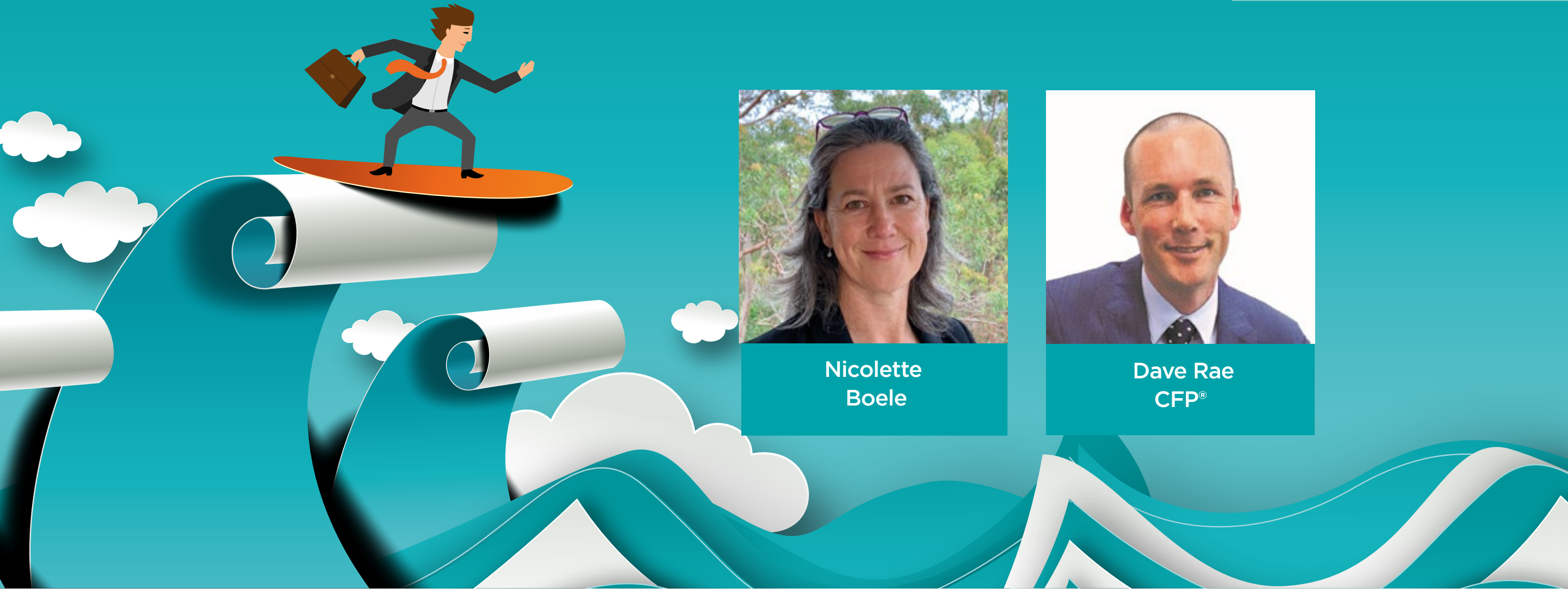
As an observation from the last election, Nicolette says there was clear sentiment around climate action in predominantly well-educated and affluent electorates in the metropolitan areas of Sydney, Melbourne and Brisbane. She says this sentiment was not just based on it being the right thing to do for both future generations and the environment, but because it was also an economically responsible thing to do.

"People recognised that the previous Government wasn't doing any of the heavy lifting around climate action. That's why we saw a significant shift in how people voted. They elected independents who they thought best represented their values with the environment, sustainability, integrity, and the economy."

Dave agrees that the May election recorded a significant shift in the way Australians voted, and he is excited at the prospect of delving into the demographics of why and where that shift happened.

"Understanding this shift is important for financial planners, because it has significant implications for the types of conversations you might be having with your clients, including how they want to invest, particularly in relation to environmental and ethical issues."

According to Dave, the strong vote for the Teal independents provided a clear message – people want action on climate change, political integrity, gender diversity, and inclusion.



"These themes resonate with responsible and ethical investing. And when you consider that the Teal votes came from some of Australia's wealthiest electorates, it shows there has been a clear shift in how people are thinking about how they want to invest their capital," he says.

CLIENT ENGAGEMENT

Nicolette agrees the move to the Teals was predominantly off the back of climate change, as well as political integrity and equality. So, with this interest in responsible and climate-related issues, Nicolette believes there is a massive opportunity for financial planners to more closely engage with their clients on environmental, social, and governance (ESG) issues when constructing portfolios.

"As a financial planning client myself, I want my planner to ask me about things that are important to me and what I deeply care about, which goes beyond the standard fact find," she says.

"Research has shown that people don't want their money to cause harm but instead, want to use their money for good. So, it's important that planners know their clients, particularly when it comes to putting together portfolios and managing those investments for clients. This includes identifying opportunities that align with how their clients want their money to achieve societal and environmental outcomes."

As an adviser specialising in ethical investing, Dave recommends planners begin the conversation about responsible investing in the first meeting. From there, he says, it becomes a topic of discussion about current issues – like carbon emission targets or electric vehicle efficiency.

"This type of conversation naturally evolves with the client. Conversations can become more detailed, where you can explore your clients' values and beliefs in greater detail. It's a great way of uncovering whether a client has strong preferences or a particular leaning towards an issue, which leads into deeper conversations around investments," he says.

KEY LEARNING OUTCOMES

Delegates attending this Congress session on November 23 will take away with them a number of key learnings they'll be able to apply to their own practices. This includes the rising interest of investors to use their capital to achieve real-world outcomes.

"There is a spectrum of investment, and almost certainly, your clients are going to fit somewhere on that spectrum – from responsible investing, through to ethical and impact investing," says Nicolette. "By understanding where clients fit on that spectrum, will help you construct portfolios that better align to their values and risk appetite."

Nicolette and Dave will also explore some other topical issues, like: how do you trade off social issues for environment issues, and how can financial planners become more engaged with responsible investing?

"We want to identify and link the issues that are becoming more important to clients. And while these issues might not have changed because of the election, they have become more front-of-mind for clients," says Dave.

"We also want to provide some practical steps for how a financial planner can start this conversation with clients, including what the advice landscape looks like when talking about responsible investments, and how to combine a client's values with their investment beliefs as part of the portfolio construction process."

FIRSTHAND INSIGHTS

Nicolette firmly believes that if planners are not part of this wave around responsible investing, then they risk potentially becoming irrelevant for a large number of clients – both new and existing.

"By understanding how we have these conversations, and building portfolios that match the values of your clients, you will not only keep clients better engaged and loyal to you, but it's also going to attract new clients who are also wanting to go down the responsible investing path – and that's good business," Nicolette says.

According to Dave, this session is a unique opportunity to hear from an independent who recorded one of the largest swings in primary votes at the last election against a sitting member of parliament anywhere in the country.

"This is your chance to hear about the issues Nicolette heard firsthand from constituents in her electorate," Dave says. "This session will also provide valuable insights into what voters were looking for at the last election.

"As planners, we can then apply these insights into client conversations, as well as consider how these insights might have future implications on the way we construct client portfolios."

Nicolette Boele is a client of Dave Rae CFP®. The session – 'How your clients voted in the last Federal election may impact how they now choose to invest' – will take place at the ICC Sydney on Wednesday, November 23 at 3:30pm. For more information or to register, go to: fpacongress.com.au

DECONSTRUCTING THE ADVICE PROCESS

Prior to the FPA Professionals Congress, the FPA is launching its first CFP® Professional Connect event, which will be an interactive workshop that deconstructs the advice process.

In the lead up to this year's FPA Professionals Congress in Sydney (23-24 November), the FPA will be launching a new initiative – CFP® Professional Connect – which is exclusive to CFP® professionals and those who are enrolled in the CFP® Certification Program.

CFP® Professional Connect has been specifically designed as a value-added service that provides CFP® professionals with a forum to further develop their expertise, network with like-minded professionals, and learn from each other in a collegiate environment.

By creating CFP® Professional Connect, the FPA is seeking to create an aspirational 'club' of professionals, who are able to access a range of services and offerings only available to CFP® practitioners.

Speaking about the launch of this new initiative, FPA CEO Sarah Abood says the event series is part of the FPA's determination to provide exclusive benefits for the development and support of its CFP® professional membership category.

> *It's appropriate that this workshop is called 'It depends', because there isn't a simple answer to the case study and there never is in real life."*
>
> LOUISE BITI CFP®

"The launch of the CFP® Professional Connect program complements the changes made to FPA memberships earlier this year. This is part of our commitment to provide more catered and customised services to each of our membership categories, to help ensure they get the most out of their membership," says Sarah.

INTERACTIVE WORKSHOP

The first of these CFP® Professional Connect events will kick off the day before the FPA Professionals Congress at the ICC Sydney on 22 November. The event – 'It depends: Deconstructing the advice process' – is a three-hour interactive workshop that deconstructs and analyses the advice process for a specific client case study. This workshop will be eligible for up to three CPD hours.

The workshop will be run by four CFP® professionals – Louise Biti (Aged Care Steps), Adam Crabbe (Zurich), Kathryn Creasy (Capital Partners Private Wealth Advisers), and Shayne Sommer (Shadforth) – who will each bring their respective experience and expertise to this workshop.

"Unlike a lot of technical sessions, this workshop will work in reverse," says Louise Biti CFP® – Director of Aged Care Steps. "In 'deconstructing the advice process', we will be taking a case study and helping planners understand how you replicate real life financial planning by considering the strategies and client interactions over a multi-generational family."

Louise says most technical sessions look at legislation, then introduce a strategy that is compliant with that legislation, outline what the benefits are, and demonstrate it with an example. However, when you've got a real life client in front of you, that approach doesn't help financial planners understand how and why a strategy might work for that particular client.

Instead, the workshop will use a multi-generational family case study and pull apart different elements of that family's situation to examine in detail: what is it that the client needs to achieve, and then how to match suitable strategies and options to enable the client to reach their particular goals and objectives. As part of this process, the workshop will also look at the importance of being able to document and clearly explain why this strategy will help the client meet their objectives.

As this case study is based on a multi-generational family, Louise says it is important that it aligns to Standard 6 of the Financial Planners and Advisers Code of Ethics, which states that planners must actively consider the client's broader, long-term interests and likely future circumstances, like children's education and the aged care needs of your client and their family members.

"By having a multi-generational family case study, it highlights that the advice a planner gives to clients needs to understand their family circle and the interconnecting circumstances of family members. This is particularly important when navigating the nuances of any family," says Louise.

According to Shayne Sommer CFP® – Private Wealth Adviser at Shadforth – by not just looking at the 'ultimate' or most complex technical solution to an advice situation, but by also closely examining the outside of a particular

CFP® PROFESSIONAL CONNECT

22 NOVEMBER 2022
ICC SYDNEY

Louise Biti CFP®
Director,
Aged Care Steps

Adam Crabbe CFP®
Risk Strategy Specialist,
Zurich

Kathryn Creasy CFP®
Principal/Wealth Adviser,
Capital Partners

Shayne Sommer CFP®
Private Wealth Adviser,
Shadforth

advice situation to work out which factors matter most to the clients in the case study, is why 'It depends' is an apt title for this workshop.

"It isn't always the most technical solution or figures-focused strategy that is the best fit for clients," she says. "There are many more factors to consider when putting together an advice strategy, depending on the client's values, and their underlying goals and objectives."

Louise agrees, confirming the workshop will involve many twists and turns, involving wealth accumulation and decumulation, insurance, aged care, as well as estate planning.

"The case study reflects a family situation that any planner may come across in their everyday interaction with clients. It's about understanding how you need to explore beyond that particular client to look at all their family interactions, in order to give advice that best meets their needs."

KEY LEARNING OUTCOMES

By attending this CFP® Professional Connect workshop, CFP® practitioners can expect to take away with them a number of key learnings, providing them with a deeper awareness of how to analyse and better understand their clients.

Louise believes what makes this session unique is about showing planners how to understand the analysis behind the advice to understand the 'why', and not just what a strategy does. This includes ensuring the advice is clearly documented and justifiable in the file notes and SOA, and is not only appropriate to your client's circumstances, but is also compliant and accurate.

"It's appropriate that this workshop is called 'It depends', because there isn't a simple answer to the case study and there never is in real life. That's because 'it depends' on: what aspects of the advice process you consider; what objectives are most important for the client; what are the client's broader, long-term interests and likely future circumstances; and how does this impact family members?

"That's why this session will be interactive," says Louise. "We want attendees to workshop the case study, share their experiences and challenge each other. We want planners to take these key leanings back to the office and consider how they can apply them with any clients, and not just with clients who fit this particular case study."

Shayne adds that by deconstructing the advice process, practitioners will gain a better understanding of why and how clients can present to your practice with similar circumstances but end up with differing advice strategies that are appropriate for their circumstances.

Some of the other key learnings CFP® professionals will be able to take away with them from the workshop include:

- How to develop your own strategic thinking to unlock any conscious or unconscious biases that you have towards client strategies and needs;
- Develop a greater appreciation of generational wealth planning and its impact on your business, even if you're only working with one family; and
- How to take an 'assessor's view' on determining an advice strategy, and outlining how the strategy developed suits the specific needs and objectives of your client.

A PRACTICAL, HANDS-ON WORKSHOP

For CFP® professionals attending this inaugural CFP® Professional Connect event, they can expect an enjoyable, practical and hands-on session.

Facilitated by a panel of experienced CFP® practitioners, who represent a diverse spectrum of the financial planning landscape, the workshop will help planners to increase their level of professionalism and application to the FPA Code of Professional Practice and the Code of Ethics

"I believe this workshop will help financial planners to become more deliberate with how they provide advice and enhance their client value proposition," says Louise.

Shayne agrees: "Four unique points-of-view will analyse and discuss not only an appropriate strategy, but the process underpinning developing strategic advice and highlight how these perspectives can enhance your advice process."

CFP® Connect – It depends: Deconstructing the advice process – is only available to CFP® professionals or those who are currently enrolled in the CFP® Certification Program.

The workshop will take place on 22 November at ICC Sydney, prior to the FPA Professionals Congress. The cost is $375 and includes refreshments and a networking cocktail hour. Participants in the inaugural event will be eligible for a 15% discount on further CFP® Connect events valid for 12 months.

To register, go to fpa.com.au/events.

A PEDIGREE BUILT ON RESPECT

For over 30 years, Ethinvest has had a strong focus on helping its clients invest their money ethically. Trevor Thomas CFP® talks to Jayson Forrest about the practice's vision, philosophy and approach to ethical investing.

TREVOR THOMAS CFP®

ETHINVEST

POSITION: MANAGING DIRECTOR AND FINANCIAL ADVISER

ESTABLISHED: 1989

LICENSEE: ETHINVEST

NO. OF FINANCIAL PLANNERS: 11

NO. OF STAFF: 36

Founded by father and son, Mac and Ross Knowles in 1989, you could say ethical investing is in the DNA of Ethinvest. It has an enviable pedigree in the ethical investing space, proudly being the first financial planning company in Australia with a dedicated focus on ethical investment.

Both founders have always had very strong values around business, environmental and social ethics. As the current Chair of Ethinvest, Ross staked his claim early as an ethics crusader, having been the founding co-president of the Responsible Investment Association of Australasia (RIAA) and editor of Ethical Investment (CHOICE Books, 1997).

As a keen environmentalist, Ross also played a part in the protection of some significant Australian wilderness areas, including Washpool National Park on the northern ranges of NSW and Yengo National Park north of Sydney. He is also credited with discovering three new species of Australian frog, two of which are on the endangered species list.

It's this focus of business, environmental and social ethics that Ethinvest Managing Director and Financial Adviser, Trevor Thomas CFP® credits as being the attraction for people wanting to join the business. "Our focus on ethical investing comes from the deeply held values of our people," he says.

A BUSINESS BUILT ON RESPECT

Ask Trevor about Ethinvest's vision and philosophy to ethical investing, and how this underpins the business's approach to investing, and he sums it up in one word – "respect".

"Within the business, we talk a lot about respect," he says. "We want to understand our clients and respect their views. We want to help our clients by developing financial strategies and solutions that meet their needs and objectives in ways that are consistent with their ethics.

"Our job is to understand what drives and motivates our clients, and then build a portfolio of investments that reflect those values in such a way they are pleased with the outcome – both financially and ethically."

Sitting at the heart of Ethinvest's portfolio construction process is Australian Impact Investments – a subsidiary of Ethinvest that provides comprehensive analysis and research on impact investments available in the market. This specialist consulting firm provides services that enable clients, like Ethinvest, to develop investment strategies, analyse and select investment opportunities, and manage portfolios to optimise financial and impact objectives.

"We felt that clients increasingly wanted to invest their money proactively into investments that were mission aligned and would make a lasting difference to society and the environment without compromising their financial returns. And that's where impact investing kicks in," says Trevor.

Impact investing enables investors to use their capital to invest in solutions that make a genuine and lasting difference to society and the environment, without compromising their financial returns in order to achieve this. Today, impact investing can be seen in a range of sectors: from sustainable agriculture, renewable energy, conservation, and microfinance, to affordable and

accessible basic services, like housing, healthcare, and education.

"Clients wanted to invest in a solution that was measurable and with a clear set of goals they could achieve with intent. You set out the intent in terms of the environmental and/or social impact, and then you track your performance against that intent. You are looking to make sure your money is achieving measurable outcomes beyond just financial returns.

"The research and analysis from Australian Impact Investments has enabled us to provide a quality control on the opportunities we are recommending and showing to our clients."

PHILANTHROPY AND GIVING

Another core part of Ethinvest is its focus on philanthropy and giving. Supporting philanthropy was a founding goal of Ethinvest, and the business actively assists many not-for-profits, NGOs, charities and foundations to invest their funds for long-term benefit.

Trevor explains: "We work with clients across the spectrum. Some have philanthropic structures in place, others are generous with their giving outside of formal structures, while others need our assistance. Over time, we have built the capacity and experience to help people with their own private ancillary funds or philanthropic trusts."

And about five years ago, Ethinvest also launched its own public ancillary fund – the Community Impact Foundation – which is available to clients who don't have enough funds to start their own foundation, but who are keen to build a corpus of capital over time to give away. To date, the Community Impact Foundation has donated nearly $8 million to a wide range of charities.

When it comes to philanthropy, Ethinvest definitely 'walks the talk', by donating about one-third of its profits annually to the Ethinvest Foundation. Trevor hopes this Foundation will encourage other philanthropic organisations to look more seriously at the opportunities around impact investing.

SOMETHING DIFFERENT TO EVERYONE

Trevor believes there is no stereotypical client attracted to ethical investing, with this style of investing meaning something different to every client. He says there is a lot of overlap with environmental and social justice issues, with both having many different aspects that people either want to avoid or include as part of their portfolios.

However, Trevor admits to seeing a generational shift to ethical investing, particularly in some of the philanthropic groups the business deals with. For example, with family offices, he is seeing a definite trend in bringing through the next generation – the under 35s.

"There definitely are different sensibilities generationally, but we've got clients aged from 18 through to over 90 who are just as passionate about the environment and social justice issues. Because we specialise in the area of ethical investing, people come to us with a real desire to invest ethically. They often tell us about investment opportunities or problems with portfolios. This enables us to conduct deeper research, which also helps us improve our overall understanding of this area," he says.

"Ethical investing is fundamentally about investing with your values. People are really interested in what their money is doing ethically and the ethics of the company they're invested in, and this interest is only growing amongst investors of all ages."

As this interest increases, Trevor believes client conversations around ethical investing will continue to evolve. However, he concedes that servicing a broad demographic of clients doesn't come without its challenges.

"We do have clients in their 80s and 90s who push us just as hard as the Millennials," says Trevor. "The idea that a person's investments should be aimed at addressing climate change and creating a better world is something that cannot be ignored. And while I wouldn't want to overdraw the difference between age groups, I do feel this type of investing resonates more with the under 35s, although it's spreading rapidly amongst other age groups."

From a financial planning perspective, it's the depth and quality of these client conversations across all age groups that Trevor believes makes ethical investing such a fantastic area to be in.

"It provides you with a whole range of conservations to have with your clients, while allowing you to build genuine rapport and strong relationships with them. And even though ethical investments have performed very strongly over the years, you get a really deep connection with clients, which adds to the stickiness of the relationship.

"They see how you have mobilised their capital in a way that aligns with their ethical values, and that's something they're very happy about."

GET COMFORTABLE TALKING ABOUT IT

Trevor acknowledges that some financial planners and advice businesses still struggle with the concept of ethical investing and discussing this style of investing with clients. He says one of the challenges over the years has been the lack of education and suitable products available to planners.

"In the past, it has been a challenge for planners to talk about ethical investing, as there weren't many products available that they could recommend to an ethically-aligned client. Unfortunately, this scenario typically saw most planners shut down the conversation, rather than explore it more deeply with the client.

"However, times have changed, and it's pleasing to see most licensees now putting genuinely screened ethical investment opportunities in front of their planners, enabling them to engage more broadly with their clients on ethical investments."

> *"We do have clients in their 80s and 90s who push us just as hard as the Millennials. The idea that a person's investments should be aimed at addressing climate change and creating a better world is something that cannot be ignored."*

And while Trevor admits there may still be some reticence by some planners towards ethical investing, due to fear they may be "shown up" and asked questions they can't answer, he is encouraged that improved education by fund managers, as well as from specialist associations like the Responsible Investment Association Australasia (RIAA), is improving the confidence and knowledge of financial planners to talk more confidently about ethical investing.

"Our approach is to gauge the interest of clients about ethical investing and to encourage them to talk about it, rather than pulling out a sheet of paper and asking them to tick the boxes that interest them," he says.

"Once a person starts talking about why they came to us, what they value, what charities they donate to, whether they volunteer or are involved in conservation or environmental activities, then this provides us with a good segue into getting the client to talk about what motivates them. From there, we can tailor our advice around their concerns and values."

BUILDING AN ETHICAL PORTFOLIO

With no one client the same when it comes to ethical investing, Trevor accepts that the portfolio construction process is not without its challenges.

Ethinvest's approach is not to force clients into a cookie-cutter advice offering or impose its own ethical views on the client. Instead, it's about understanding the client's values, their motivation for investing, and then putting together a solution that bests aligns to their ethical considerations and investment objectives.

"We have a very diverse range of clients," says Trevor. "Some clients have strong societal views and so, they want their capital to be invested in socially positive things, and then we have clients who are strongly focused on climate change and the environment.

"So, our job is to understand our clients' unique values, their motivation, and their investment objectives. From there, we can provide advice that is consistent with their wishes."

The conversations with clients are nuanced. Ethinvest uses an internal framework as part of the fact find to identify the key areas of interest for its clients. This enables its planners to be more informed when speaking to clients about these areas, as well as enabling them to delve more deeply into issues clients care strongly about.

Just how deep the advice team drills down into holdings as part of the investment selection process, depends largely on how deep clients want to go.

"Some clients push us a long way. If we're buying direct shares, we look closely at what the company is doing. We occasionally even put up resolutions at the AGM," says Trevor. "This is all part of our shareholder activism. We are committed to promoting and upholding responsible ESG governance practices, and see our shareholder advocacy as a powerful way to effect positive changes."

When it comes to 'greenwashing', Trevor says the clients at Ethinvest tend to have a good radar for this, which means they drive the advice team hard on 'greenwashing'.

"Our subsidiary, Australian Impact Investments, is very much part of this process. When Australian Impact Investments is researching the different managed funds, it looks at every single holding in the portfolio. And because it scores every share listed on the ASX 300, it's able to understand whether the fund manager is being true to label."

However, Trevor concedes that 'greenwashing' is a significant issue in the industry and he fears the effects of 'impact washing' will also become an issue, as organisations increasingly map their products and services to the United Nations' 17 Sustainable Development Goals, when in fact, they're actually not making any real difference.

"As a licensee, our job is to provide our planners with an APL that has appropriately screened opportunities in every asset class. This has been made easier due to the research and analysis of Australian Impact Investments, as well as the greater range of products now available in every asset class. This has allowed our team to build portfolios right through from conservative to aggressive."

He also points to the range of tools and resources that planners can use to help with their due diligence and research processes. As a member of the RIAA and the Ethical Advisers' Co-op (EAC) – a membership of financial planners who predominantly provide ethical investment advice or who are transitioning to this style of advice – Trevor endorses the RIAA's certified product tool, as well as the EAC's 'green leaf' ratings of funds.

"By using these tools, planners can check funds that claim to have an ethical or sustainability focus are actually true to label," says Trevor. "These tools enable planners to confidently build diversified portfolios, where their clients' ethics are being reflected in what their money is doing."

COMBINED EFFORTS

Having racked up more years advising on ethical investing than he'd care to remember, Trevor figures he has learnt a thing or two over the years. One of those things is the type of client who is naturally drawn to ethical investments. According to Trevor, they tend to be warm and genuine individuals, who want to use their capital to do good and effect positive change.

"Over time, our clients become friends and often feel like family. We develop deep relationships with them, because investing ethically goes beyond just financial objectives. And that's a great thing," says Trevor.

He also adds that the ethical goodwill of people often extends beyond those of his clients and to the people working in the holdings the practice invests in.

"Because we're quite active with our shareholdings, Ethinvest is constantly dealing with organisations that we view are engaged in activities that are inconsistent with their ethical and ESG claims," says Trevor. "However, where we have engaged with those organisations, we have found people of goodwill within those businesses who feel the same way as we do and who are prepared to advocate for change internally."

RESPECT DIFFERING VIEWS

For any financial planners or advice businesses thinking about getting more involved with ethical investments, Trevor emphasises that this is an area of advice and investing you can't fake your way through. He admits there is a lot to learn, and a good starting point is the Ethical Advisers' Co-op.

"This is a fantastic organisation, where planners come together to share ideas in a collegiate environment. The Co-op is made up of professionals who want to see the area of responsible investments and the benefits of ethical advice grow. There is a lot of resource sharing and working groups to get involved in, where good ideas and knowledge is shared amongst members."

Ideally, Trevor would like to see more planners join the Ethical Advisers' Co-op. He believes the knowledge and expertise gained from this group will naturally flow back to the licensee, enabling more clients to make financial decisions in line with their ethical values.

Both the Ethical Advisers' Co-op and the RIAA have a good range of resources and education material available for planners. However, even if a practitioner still doesn't feel confident to talk to clients about ethical investing, Trevor emphasises the importance of not letting your lack of understanding hold you back from having meaningful conversations with clients.

"Don't be afraid to admit that you don't know everything. After 25 years of advising, I'm still learning," says Trevor. "Let your clients know you're also on a learning journey, and while you might not have all the answers for them now, you will have the answers after conducting the appropriate research."

But perhaps his best advice - which has been gained over 25 years of advising - is to be respectful of the views of clients, even if they differ from yours.

"It might be that you don't share the views of your client, and that's okay," Trevor says. "You don't have to agree with your client but you must have a respectful conversation with them and respect their right to have a particular view on issues that you might not agree with.

"As financial planners, our job isn't to try and convince people to change their views; it's to understand their views and respect them. By all means, share your views with clients, even if they're different. Sharing your views doesn't mean you are imposing a particular set of ethics on the client, but it can lead to healthy conversations and deeper client relationships. Like I said, ethical investing is a fantastic area to be in."

> *"It provides you with a whole range of conservations to have with your clients, while allowing you to build genuine rapport and strong relationships with them. And even though ethical investments have performed very strongly over the years, you get a really deep connection with clients, which adds to the stickiness of the relationship."*

THE ROLE OF STEWARDSHIP IN INVESTING

As ethical investing moves firmly into the mainstream, it raises questions on how financial planners can give clients confidence that their portfolio is aligned with their values. Miriam Fine speaks with the team at Australian Ethical on the importance of increasing accountability from investment managers in their ethical practices.

In spite of significant changes in the global economy and investment markets in 2022, the focus on better investment outcomes for people and the planet is still growing.

Returns from growth assets may be more scarce than they have been for some time, but that doesn't mean investors are allowing ethical concerns to take a back seat.

According to new research from Australian Ethical and Investment Trends, 46 per cent of investors bought or sold investments in 2021 based on ethical, or environmental, social, or governance (ESG) factors. This is a material increase on the 40 per cent of investors recorded in the equivalent period in 2020.

The 'Turning values into action: A new era of purpose-driven investing' report also shows a sharp increase in awareness among investors. In 2021, awareness of ESG/responsible investing was at 61 per cent, rising to 75 per cent in 2022. That's three-quarters of investors who now have ethical investing on their radar.

In taking a closer look at the intentions of investors in this group, the report highlights untapped demand for ESG investment options and advice. Thirty-three per cent of survey respondents are 'next-wave ESG investors' – those who have not selected investments based on ethical or ESG factors, but plan to do so or are interested in learning more.

This has significant implications for the role of financial planners in having conversations with clients about ethical options. The report also points to a notable gap in access to ESG-specific advice for investors who have yet to make their first move to include ESG options in their portfolio. Seventy-one per cent of next-wave ESG investors who received investment advice in the last 12 months did not discuss responsible investing with their planner but would like to.

The role of expert advice is even more important when we consider how many investors are in the dark when it comes to ESG investment opportunities. Forty-three per cent of next-wave ESG investors said awareness of products was their number one barrier to making responsible investment choices.

THE ETHICAL AGENDA IN ADVICE

As a companion report to the investor view, 'Responsible investing: A new frontier in client engagement & advice delivery' looks at the rise in ethical investing through the financial planner lens. By surveying financial planners on their levels of engagement with the ESG investing needs and preferences of clients, Australian Ethical and Investment Trends have revealed a steep change in behaviours.

"We know from the report that more planners are embracing responsible investing than ever before, with nearly one-in-two providing advice on ESG investments, up from one-in-five in 2016," says Leah Willis, Head of Client Relationships with Australian Ethical. "With three-in-four investors now aware of responsible investing, and record amounts of money pouring into sustainable and ESG funds, ethical investing has cemented its place in the financial vernacular of investors and financial planners."

The report defines the one-in-two 'ESG financial planners' as those 'who have determined clients' responsible investing requirements during fact find or discovery conversations, or provided advice on ESG investments in the last 12 months.'

Of these planners, approximately half their clients (48 per cent) have talked with them about their responsible investing preferences and goals, up from 38 per cent reported in 2021. In a country where floods have played havoc with lives and communities in 2022, it's not surprising to see renewable energy (53 per cent), climate change (51 per cent) and fossil fuels (51 per cent) at the top of the agenda, followed by human rights (33 per cent).

"Among many important issues, climate or environment is the most urgent and pervasive issue in society today, and investors are concerned," says Leah. "Environmental issues are of primary concern, with 54 per cent of ESG investors either buying or selling investments in the past 12 months based on this. Specific issues include ocean conservation, preventing climate change, renewable energy, sustainable agriculture, and reducing carbon emissions.

"But it isn't easy for planners to address these issues in portfolios," she adds. "Climate and reducing carbon emissions is complex, considering the enormous impact this transition poses to many of our leading companies, sectors and whole communities. This will be an interesting, exciting and challenging area for investors and planners to navigate over the coming decade, as portfolios transition to a low-carbon future."

BEST INTEREST AND OTHER BENEFITS

With growing demand for ESG conversations with clients, financial planners need to meet the market on this issue in order to remain

competitive. But planners are also being proactive on ESG and ethical investing for reasons that are not purely commercial. The majority of ESG planners are motivated to engage with clients on their ESG interests and goals in order to properly perform their best interest duties (61 per cent) and to ensure their clients' investments align with their values (68 per cent).

"For planners adopting ethical conversations, they are realising the business benefits of better client engagement, building better rapport, enhancing their value proposition, and attracting more clients," says Leah. "Planners have a fiduciary duty to ensure their clients are financially secure in retirement but equally, they are required to understand a client's 'values' or 'ethics' to ensure their investments aren't at odds with their client's personal views.

"It is no longer good enough to provide returns at any cost – a rising consciousness around investments means clients are looking to invest in companies that support a more sustainable future, with a growing expectation that these companies will benefit in the long-term from being responsible, well managed businesses."

UNDERSTANDING ETHICAL OPTIONS

Leah goes on to say how effective many financial planners have become in making ESG questions an integral part of due diligence during the advice process.

"Successful planners in this space have embedded ethics or values in their initial client conversation or fact-finding," she says. "Incorporating ESG-related questions into the risk profile questionnaire gives planners a clearer understanding of a client's appetite for responsible investing and any concerns they may have early on, and is a great way to start the conversation. It also helps to avoid uncovering issues late in the portfolio construction phase."

However, it's at this stage that many planners find themselves challenged by a growing number of ESG investment options, with limited tools, standards and frameworks available for matching products to clients' preferences. In spite of their considerable skill in financial advice and their best intentions to select products on the basis of a client's wishes to avoid harmful practices and support positive outcomes for environment and society, many planners have concerns about making the wrong choice. In fact, 34 per cent of ESG financial planners say the biggest challenge when delivering responsible investment recommendations is 'greenwashing'.

"We have seen a record number of ESG, sustainable and 'green' options launch over the past few years in response to the growth in the sector, which has given investors more choice than ever before," says Leah. "The real challenge for investors is understanding the approach and outcomes a fund provides to ensure it lines up to their expectations of what responsible or ethical means.

"ESG is being used to some degree interchangeably with responsible investing, but ESG integration is one approach that incorporates ESG information as risk factors to inform stock valuation. However, it's also been clear for some time that investors want to invest in line with their values. So, while many ESG investors believe their money is going towards improving environmental and social solutions, while earning returns, a fund using only ESG integration may include harmful stocks in the portfolio and can give consumers a nasty surprise.

"I think this is confusing for investors, but also whilst there are systemic issues (like climate change, biodiversity, and modern slavery) that can impact the stability of financial markets, investors need to be thinking beyond how ESG issues impact the financial performance of a company. They need to look at how a company's activities impact the real world by asking – are those impacts okay – independently of financial performance."

TRANSPARENCY AND UNIVERSAL STANDARDS

What can often make things tricky for financial planners when understanding the ethical nature of their investment recommendations is the lack of standards in labelling investment strategies. While there is likely to be progress made on this in the near future, thanks to concerns from the regulator, it's likely that planners will need to continue to use their own research and judgement to determine whether the approach of a fund actually delivers what their clients want and expect in terms of responsible investment holdings, and impacts on ethical and sustainable outcomes.

> *"For planners adopting ethical conversations, they are realising the business benefits of better client engagement, building better rapport, enhancing their value proposition, and attracting more clients."*
>
> LEAH WILLIS, HEAD OF CLIENT RELATIONSHIPS, AUSTRALIAN ETHICAL

"No doubt there is confusion and demand from investors for more clarity around the green labels that have exploded in recent years – responsible, sustainable, ethical, impact," says Leah. "For some time, the E.U. sustainable taxonomy has led the discussion on developing labels and categories for responsible investing, but that has proven challenging. More recently, we have seen announcements from the Securities and Exchange Commission (SEC) in the U.S., the ASX and ASIC with guidance on greenwash and the alignment of a product's label with its outcomes. This calls into question the rise in green-marketing practices by many products.

"This shows that labelling isn't a simple or straightforward task. While you want to provide investors with confidence in their product choices and avoid greenwashing, you don't want to stop product innovation when so much capital is required to help drive change in critical areas of society."

While acknowledging that greater clarity on labelling for ethical investing products is an important goal, Dr Stuart Palmer, Head of Ethics Research at Australian Ethical, says that it's unlikely that a single universal standard can be effective for such a complex and rapidly evolving market.

"The objective is reasonably clear – regulators are working towards bringing the same rigour and consistency to sustainability claims and labels, as financial claims and labels," he says. "The path to achieve this objective is less clear. Non-financial characteristics of investment products are multi-dimensional. Think of it in terms of the impact which many are seeking through their investment choices: There are countless ways the world can be different as a result of an investment choice, and there are many different ways of narrowing down and categorising the impacts that matter to particular stakeholders. This narrowing and ordering is the work of sustainability and impact standards and frameworks, but we shouldn't expect them to all do it in the same way.

"In New Zealand, for example, regulators have chosen to take 'a holistic view of integrated financial products', rather than focusing on specific labels and categories, such as ethical, responsible, socially responsible, sustainable, impact, green and so forth. They are taking a principles-based approach, rather than decreeing prescriptive definitions and taxonomies. They are concerned that a prescriptive approach would need to be constantly updated to reflect evolution of societal norms and expectations."

DEFINING STEWARDSHIP

While regulators, regional and global bodies – such as the International Sustainability Standards Board (ISSB) – continue their work in developing frameworks and labels that investment managers will be required to adhere to, how can financial planners give their clients assurance that their investments are making a positive difference in the world?

Looking for products with both negative and positive screening is a good start. These options should demonstrate that portfolio holdings have been selected on the basis of corporate behaviours that do less harm and more good in the world.

This approach of allocating capital to effect change is certainly a step in the right direction. But for clients who want to know that their financial choices are having a more powerful impact, it can be worth considering an investment approach that engages with solutions to the major challenges of climate change, and abuse of human and animal rights.

"While ethics-driven capital allocation is critical, we know that on its own, our ethical screen is not enough to achieve the economic and social transformation we need to get to a future where people, animals and the planet prosper," says Amanda Richman, Ethical Stewardship Lead at Australian Ethical. "Investor stewardship is an important tool that investors can use to directly have real world influence. Investor stewardship leverages capital to influence investee companies, the economy and society.

"At Australian Ethical, responsibility for investor stewardship is shared between the investment team and the Ethics Research team but with different objectives," she adds. "Our investment team is focused on lowering the risks and improving the returns of individual holdings and the portfolio. In carrying out ethical stewardship, our ethics research team is focused on reducing the negative and increasing the positive impacts of companies and achieving systemic change. It can be targeted at investee companies, but its remit is much broader, including companies outside the portfolio, other investors, governments and regulators, standard-setting bodies, industry associations, and other organisations."

For financial planners seeking investment managers active both in ethical screening and stewardship, the good news is that this segment of the market is growing.

In its '2022 Responsible Investing Benchmark Report', the Responsible Investing Association for Australasia (RIAA) ranked 74 investment managers as Responsible Investment Leaders, up from 54 in 2021. This means around a quarter of Australian investment managers now score at least 15 out of 20 on RIAA's Responsible Investment Scorecard. The report also found that the widest gap between Responsible Investment Leaders and non-leaders is in the areas of stewardship, ESG integration, and allocating capital to target sustainability outcomes.

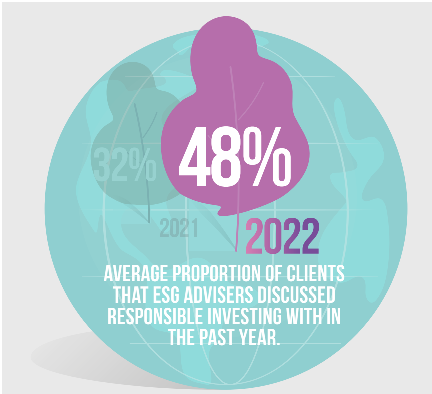
ACTION AND ACCOUNTABILITY

Not only does the RIAA Benchmark report consider engagement and stewardship activities in its scorecard, it also places high importance on reporting and outcomes.

"There is a lot of healthy skepticism about investor engagement," says Amanda. "Its impacts are often indirect, difficult to measure and difficult to directly attribute to positive outcomes. It can also take time between starting an engagement strategy and seeing real world impact. Unfortunately, investor engagement is also an area that is ripe for greenwash. Some can use it to excuse continued investment in fundamentally unethical businesses without being accountable to effecting change within those businesses."

With this in mind, it's encouraging to see that investment managers are increasing their transparency and accountability when it comes to engagement with investee companies.

According to the RIAA findings, 45 per cent are now reporting on both activities and outcomes from corporate engagement and shareholder action – up from 31 per cent in 2020. This improvement in the accountability of investment managers through this kind of reporting should go some way to addressing concerns about greenwashing in the industry.



SOURCE: *Australian Ethical & Investment Trends 2022 ESG adviser report*

ENRICHING CLIENT CONVERSATIONS ON ESG

This enhanced reporting and accountability is likely to be welcomed by financial planners having a growing number of responsible investing conversations with clients. Greater transparency of underlying investments and demonstration of investment impact are the top two tools financial planners are looking for to support them in giving clients the assurance that their portfolio choices can be linked to positive real-world benefits.

Providing data and narrative that goes beyond an investment manager's activities to capture the actual outcomes resulting from ethical stewardship has become an important focus for Australian Ethical and its Ethics team. From its advocacy initiatives in the financial services sector aimed at defunding fossil fuels, to portfolio exclusions in response to human rights abuses, engagement with regulators, through to protecting young people from the harms of social media use, it is setting an example of how ethical stewardship can shift the dial on the most pressing ethical issues.

"Our objective for engaging in ethical stewardship is to achieve positive real-world outcomes," says Amanda. "We need to assess whether our efforts are achieving anything or if we need to change our approach. We therefore seek to prioritise reporting on progress towards real world outcomes over reporting on our level of activity. These real world objectives are reflective of what needs to happen for the world to address systemic challenges. They are ambitious. They are beyond what our activities alone can achieve, and therefore, outside of our full control.

"It will also take time to achieve them. We do not expect to see material progress for a number of years. Even if they are achieved, it will be difficult to attribute that success to our efforts. We know that achieving change at the scale and pace we need cannot be done by any one individual or organisation. We need multiple voices using multiple sources of leverage, and positive feedback loops between different players. It takes an ecosystem of people in different roles, who all have a genuine desire to make the world a better place."

FIVE WAYS TO BOOST EMPLOYEE RETENTION

At a time of high change and job insecurity, more people than ever are resigning. Rowena Millward provides five essential tips that will help business leaders improve staff retention.

"Adding to this were high levels of burnout, with a 2021 study reporting 77 per cent of employees in Australia and New Zealand experienced burnout at least once in the prior 12 months, adding to the conviction that their life choices were not right."

The Great Resignation was one of the biggest after-shocks of COVID-19. While during the early days of COVID-19, employees were grateful to keep their job, in the post-pandemic era, the market has seen a massive growth in resignations, known as 'the Great Resignation'.

Statistics from the Australian Bureau of Statistics show that for the year ending February 2022, 9.5 per cent of employed people changed jobs. Among professionals, including financial planners, this was a massive 22 per cent, despite the overall market retrenchment rate at 1.5 per cent being the lowest on record.

It seems contradictory that at a time of high change and job insecurity, more people than ever are resigning. So what is behind this trend? What are people really looking for?

LOCKDOWN CREATED A MINDSET SHIFT – AT SCALE

One of the biggest mindset shifts came from the disruption of our pre-pandemic lives. Between juggling work, families, inevitable curve-balls and everyday life, there was little time to stop and consider what it is that people actually want.

Lockdown led to people asking questions such as: "Am I satisfied with my life choices? Do I have the right balance for me across work, family and life? Is this what I really want?"

Adding to this were high levels of burnout, with a 2021 study reporting 77 per cent of employees in Australia and New Zealand experienced burnout at least once in the prior 12 months, adding to the conviction that their life choices were not right.

So, the burning platform for change was there and more people responded by resigning, but do people really know what they want? And do licensees and employers really know how to help?

Before we can answer that, we need to recognise the seismic shift in how people perceive work, and how they are motivated pre and post-pandemic.

THE NEW EMPLOYEE MOTIVATION

While engagement is still the accepted measure of employee health today, the needs of employees and their expectations have evolved.

The pre-pandemic model of engagement as the driver of motivation set the employer up as responsible. Inherent in this model was the reality that work and life were largely separate, and that most work happened in a controlled office environment. Employers focused on how benefits, skills development and career progression would engage and motivate employees. In that environment, employees positively responded to engagement initiatives.

However, post-pandemic, the focus and ownership has shifted.

Employee motivation is based on work and career as part of a whole life approach. They are more than willing to be responsible for outcomes, but not how they deliver them – they want individual flexibility on how they do that. They expect

employers to empower them (not just engage them), as they look to navigate their whole life, not just their career. If employers choose not to support them, then there are plenty of different options to consider – new jobs within their current industry or even new careers outside of it.

To summarise using an old expression, 'people are now working to live, rather than living to work'.

SO, WHAT CAN LEADERS DO TO IMPROVE RETENTION?

Flexibility within a framework and a whole life approach is required to meet an individual's and an organisation's needs. By helping employees define and then implement work by design, you will empower them and build commitment and loyalty.

HERE ARE FIVE WAYS OF DOING THIS:

1. Providing employees with education that empowers them in identifying what is important across their life. Work is part, but so is family, community and personal growth.

   For example, what are their personal values and priorities in the next 12 months? How can work support their personal goals? Is the culture inclusive, allowing the whole person to thrive?

2. Ensure your workplace has the right technology and culture to empower hybrid work. Flexibility is an expectation, but a major pain point is ensuring flexible working is easy to implement, so employees are still set up for success. Talking about it, but not empowering it, will create frustration and be seen as disingenuous.

3. Provide leaders with the education and tools to enable them to have the right conversations with their team. If an employee resigns without any prior conversation, then this is a sure sign that managers are not encouraging employees to have the right conversations, and upskilling is required.

4. Ensure the voice of the employee is visible and actioned. In a high change environment, qualitative feedback will be more valuable, as your previous engagement surveys may not be asking the right questions for now.

5. Engage team members to co-create solutions. The future blueprint will require flexibility within a framework. Make them part of the future solution by collaborating on how their needs, and the business's needs, can be met.

YOU NEED TO ANSWER THE QUESTION

While the pandemic created the question 'What do I want in my life?', employees don't necessarily know the answer. Don't hide from this question, help them answer it and empower them to live it.

Rowena Millward is an author, and career and life coach. Her whitepaper 'Blended: The post COVID rules on how we work, lead and live' can be found at www.macmorgan.co/resources.

> *"Flexibility within a framework and a whole life approach is required to meet an individual's and an organisation's needs. By helping employees define and then implement work by design, you will empower them and build commitment and loyalty."*

DRIVING A NEW WAY TO LEARN

Not everyone learns the same way, and it's that belief that is helping young Tasmanians with learning difficulties get their driver's licence via an innovative training program.

West Moonah Neighbourhood House (WMNH) is no stranger to the Future2 grants program, having previously been successful in winning Future2 grants for its community programs.

Situated in the Hobart suburb of West Moonah, WMNH is a home away from home for many people – regardless of gender, race, religion, age, culture or educational background. As the manager of WMNH, Mel Knuckey says: "We adopt an open door policy encouraging every member of any community to participate in our activities, utilise our facilities, volunteer, or just drop by for a warm place to relax and chat. Everybody is welcome."

There are 35 Neighbourhood Houses within Tasmania, 33 of which are funded by the Department of Communities Tasmania, which work to a community development framework within their respective communities. This is achieved by offering programs and courses of interest or identified needs to the community.

WMNH provides a range of services to its local community. These services range from the provision of school and community-based training sessions for young people struggling to learn and understand the road rules, through to the use of newly developed training mediums that encompass the four main building blocks of learning – auditory, kinaesthetic, written, and visual.

According to Mel, the WMNH receives numerous requests from agencies and people who identify as having a learning spectrum disorder or disability, as well as those with literacy issues or where English is a second language.

"Without training and support, many of these people are destined to fail the online driving test at a Service Tasmania outlet and end up being stymied from entering the workforce, as well as getting further education and moving forward in their lives. Many of these individuals are also known to drive whilst unlicensed and ultimately, disqualified."

LEARNER'S LICENCE ASSISTANCE PROGRAM

To address this growing demand for assistance in helping people improve their driving and road skills, WMNH – with the help of retired police officer, Kim Smith – has developed a practical education initiative called the Learner's Licence Assistance Program (LLAP).

The LLAP started with the aim of supporting multicultural communities from culturally and linguistically diverse backgrounds to help them with the training and assistance required to get their learner's licence.

However, the main resource available was a Road Rules Manual that was available only in English. As Kim tutored individuals, he encountered difficulty in explaining the road rules due to the lack of suitable training resources.

Subsequently, he began designing road maps depicting intersections, roundabouts, general road markings and signs, and combined these with toy cars to practically demonstrate how the road rules apply in different situations.

Following on from the success of the road maps, Kim then undertook the filming of roads in different settings, and found that once again, the visual approach assisted both the tutor and participants in teaching the road rules, as well as the testing process.

Today, LLAP uses specialised videos developed and produced by WMNH, as well as highly visual road maps and model cars, to create a highly practical program that encourages confidence in participants who opt for this method of training and testing. The program also removes much of the guesswork that many young people would typically apply when doing the online test.

In total, 28 videos have now been produced, with 22 of these currently online and available in five languages, with the other six awaiting update to the additional languages.

"A majority of the young people being assisted in the program presented with literacy issues and Learning Spectrum disorders – such as dyslexia, dyspraxia, autism, and ADD/ADHD/ODD. That's why a third type of learning that is tactile or kinaesthetic in nature, through the use of the road maps and videos, overcame the difficulties these young people faced," says Mel.

WEST MOONAH NEIGHBOURHOOD HOUSE

GRANT AMOUNT: $8,600

ENDORSED BY: TODD KENNEDY CFP®

FPA CHAPTER: TASMANIA

The LLAP is successfully using visual training tools to teach young people road skills and rules.

"Once tested and passed, participants are provided with a Certificate of Competency, which they are able to take to a Service Tasmania outlet, along with appropriate identity, and receive their learner's licence."

The LLAP is aimed at young people in the south of Tasmania, with WMNH running the program throughout local schools, TAFE, as well as youth and welfare agencies.

In the last 12 months, 133 people have passed their test and received their Certificate of Competency. Approximately 42 additional students involved in some of these classes, but who already had their learner's licence before the course started, continued in the classes, stating they learnt more by staying in the classes than what they had actually learnt doing the Plates Plus pre-learner course and test.

A LONG INVOLVEMENT

As a Future2 Ambassador, Todd Kennedy CFP® – CEO of the Public Trustee – has been involved with the grants judging process on a number of occasions, and feels fortunate to having seen many of the deserving programs that not-for-profits are running in local communities that heavily rely on support from Future2.

"I have seen the work the WMNH has done now over many years. Kim Smith has done a wonderful job building the LLAP and ensuring its ongoing sustainability," says Todd.

"Kim is so passionate about the people that come through the program and the personal stories of success are really heart-warming. Getting a driver's licence is incredibly empowering and significantly improves the independence and lives of people."

Todd was first introduced to the work of WMNH about six years ago. He has previously supported Future2 grant applications for WMNH, and was delighted that his most recent endorsement was successful in receiving an $8,600 grant from the Future2 grant's committee for the LLAP.

"I have had the opportunity to see the outcomes of this program through being invited to WMNH, and meeting with key people involved in the program, as well as reading testimonials provided by the program's participants. I was thrilled that WMNH's grant application was successful, as the target audience of disadvantaged youth is well matched to the objectives of Future2," says Todd.

"This program delivers tangible and measurable results for participants. The end result of assisting disadvantaged youth to help them get their driver's licence is life changing. Obtaining your driver's licence is an important step in assisting a young person build their confidence, gain employment, and provide them with a better chance at life.

"The program also teaches valuable road safety skills, which is greatly helping to reduce the number of younger driver's involved in accidents and fatalities on Tasmanian roads."

Mel confirms the Future2 grant is enabling WMNH to reach out further into the community to address the needs of many more young people who are struggling to pass their learner's licence test because of learning issues, misunderstanding of road rules, nervousness at Service Tasmania outlets, as well as their inability to use computers.

REAL HEROES

While Todd admits his involvement with WMNH is limited, he nonetheless believes the real heroes of the not-for-profit are Kim and the WMNH team. And so does the Government, with Kim's role in developing and rolling out the LLAP also playing a part in his nomination for an Australian of the Year Award, which ultimately saw him win the Tasmanian Local Hero Award for 2022.

"This is where the funding support from organisations like Future2 is so vital in being able to run training programs like LLAP," says Mel. "Without this support, there would be limited knowledge and experience gained.

"Instead, by having the opportunity to trial and test our programs with the wider community, many lessons are learnt for ongoing improvements."

CPD MONTHLY

Each month, Money & Life publishes two CPD Monthly articles. The following are overviews of this month's two CPD accredited articles. To read the full versions of each article, and to receive your CPD hours, click on the Learn tab at moneyandlife.com.au/professionals

ARTICLE 1

JON DE FRIES
INSIGNIA FINANCIAL

NAVIGATING IP ADVICE AFTER APRA

Understanding recent policy changes, and assessing the source and consistency of a client's income are key factors when providing advice on Income Protection (IP) insurance. After years of heavy losses in the retail IP market, the Australian Prudential Regulation Authority (APRA) announced a series of reforms.

This article looks at why now, more than ever, advice is critical in helping clients to navigate these changes, as well as the closed IP pools and the choices available since October 2021.

The key to delivering advice that's in your clients' best interests in this complex IP marketplace is to understand what's important to them, and deliver solutions that address their specific income situation and needs.

WHAT YOU WILL LEARN

- Calculating IP benefits
- Income at risk and pre-disability earnings
- Retaining policies in closed series
- Advice implications of the APRA reforms

This article is worth **0.5 CPD HOURS**

ASIC Knowledge Area **LIFE INSURANCE**

Legislated CPD Area **TECHNICAL COMPETENCE**

ARTICLE 2

TIM HOWARD
BT FINANCIAL GROUP

RETHINKING THE HOME EQUITY ACCESS SCHEME

Until recently, the Home Equity Access Scheme (HEAS) may not have had the level of flexibility or the awareness of potential benefits to allow eligible senior Australians to make an informed decision around the retirement income benefits available. Property owners who are either part-rate or full-rate pensioners and self-funded retires are now all potentially eligible for the scheme.

From an advice perspective, the ability for pensioners to boost their retirement income, or self-funded retirees to use the equity in a property they own to meaningfully boost their retirement income, may be a strategy worth considering. This article examines the finer details of the HEAS.

WHAT YOU WILL LEARN

- Taxation of the scheme
- Social Security assessment
- Aged care assessment
- Repaying the loan

This article is worth **0.5 CPD HOURS**

ASIC Knowledge Area **FINANCIAL PLANNING**

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To read these articles in full and answer the questions for CPD hours, go to the Learn tab at moneyandlife.com.au/professionals

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